

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF L'ANSE	County BARAGA
Audit Date JUNE 30, 2005	Opinion Date AUGUST 19, 2005	Date Accountant Report Submitted to State: SEPTEMBER 19, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

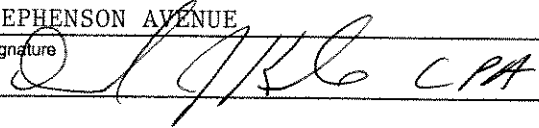
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) FLEURY, SINGLER & COMPANY, PC			
Street Address 301 STEPHENSON AVENUE	City IRON MOUNTAIN	State MI	ZIP 49801
Accountant Signature 			Date

VILLAGE OF L'ANSE, MICHIGAN

Financial Report

With Supplemental Information

June 30, 2005

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INDEPENDENT AUDITORS' REPORT

The Honorable President and Village Council
Village of L'Anse
L'Anse, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **VILLAGE OF L'ANSE, MICHIGAN** as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **VILLAGE OF L'ANSE, MICHIGAN'S** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **VILLAGE OF L'ANSE, MICHIGAN** as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2005, on our consideration of the Village of L'Anse, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, retirement system schedule of funding progress, and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **VILLAGE OF L'ANSE, MICHIGAN'S** basic financial statements. The accompanying other supplemental information as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and comparative financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

August 19, 2005

VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

Within this section of the Village of L'Anse, Michigan's financial report, the Village's management provides narrative discussion and analysis of the financial activities of the Village for the fiscal year ended June 30, 2005. The Village's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Village's primary government, unless otherwise noted, the component unit reported separately from the primary government is not included. Please read this management's discussion and analysis in conjunction with the Village's financial statements.

Financial Highlights

- The Village's assets exceeded its liabilities by \$9,022,159 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded its liabilities by \$6,235,394. Net assets increased in governmental activities by \$2,874,158, primarily from a contribution from the Corps of Engineers, as discussed below. Governmental activities included transfers of \$200,000 from and \$142,168 to the component unit and transfers of \$97,000 from and \$188,249 to the proprietary funds (business-type activities). Business-type activities included depreciation expense of \$276,990.
- Total net assets are comprised of the following
 1. Capital assets, net of related debt, of \$8,359,659 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 2. Net assets of \$181,913 are restricted by constraints imposed from debt covenants and regulations.
 3. Unrestricted net assets of \$480,587 represent the portion available to maintain the Village's continuing obligations to citizens and creditors.
- The Village's governmental funds reported total ending fund balance of \$267,797 compared to the prior year ending fund balance of \$205,875, an increase of \$61,922 during the current year.
- Total liabilities of the Village increased by \$473,986 during the fiscal year. Additional long-term debt of \$118,383 was acquired during the fiscal year in the Disposal System Fund. Accounts payable increased primarily due to the acquisition of a new lift station in the Disposal System Fund and reimbursements to the component unit from the sale of the grocery store property, as discussed below.
- The Village's Electric Utility Fund continues to maintain an investment of \$80,156 with the Upper Peninsula Public Power Agency. The purpose of the Agency is to invest in the American Transmission Company System, a Wisconsin LLC.
- The Village acquired adjacent property (land and grocery store property) for \$394,739 in the prior year. The purpose of the acquisition was to facilitate the construction of the "Linden Creek Flood Control" project. The purchase was financed primarily from transfers from the component unit, the Electric Utility Fund, and the Disposal System Fund during the prior year. The Village sold the property during the current year for \$388,249. The entire amount was recorded as a transfer back to the component unit and other funds in the current year. The cash is anticipated to be received in early fiscal year 2006 and to be paid to the component unit and other funds at that time.
- The Village recognized a contribution of \$2,939,071 from the Department of the Army Detroit District, Corps of Engineers for the construction of the L'Anse Linden Creek Flood Control project (bridges and culverts) in the current year.
- The Village incurred construction costs of \$124,575 related to infrastructure improvements during fiscal year ended 2005. Significant construction activities for infrastructure improvements to Main and Broad Streets are anticipated for fiscal year ended 2006. The total construction cost of \$1,240,000 is anticipated with a local share of \$550,000. The local share is to be provided by the component unit. The remaining amount is to be paid with federal and state grants.

VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2005

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Village's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The Village also includes in this report additional information to supplement the financial statements.

Government-wide financial statements

The Village's financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Village's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide financial statements is the **Statement of Net Assets**. This is the Village-wide statement of financial position presenting information that includes all of the Village's assets and liabilities with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village as a whole is improving or deteriorating. Evaluation of the overall economic health of the Village would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the Village infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the **Statement of Activities**, which reports how the Village's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the Village's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Village that are principally supported by taxes and intergovernmental revenues, and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, sanitation and recreation. Business-type activities include electric utility, water utility and a disposal system.

The Village's financial reporting entity includes the funds of the Village (primary government) and one organization for which the Village is accountable (Downtown Development Authority-component unit).

Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Village uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Village's most important funds rather than the Village as a whole. Major funds are separately reported, while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

The Village has two types of funds

Governmental Funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Village's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2005

Proprietary funds are reported in the fund financial statements and generally report services for which the Village charges customers a fee. Proprietary funds include the electric utility fund, water utility fund and disposal system fund and are reported as business-type activities in the government-wide financial statements. All three funds are reported as major funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's progress in funding its obligation to provide pension benefits to its employees. A budgetary comparison statement is included in the basic financial statements for the general fund.

Major funds and the component unit are reported in the basic financial statements. Combining statements for nonmajor funds are presented in a subsequent section of this report. Comparative statements for the water utility fund and the disposal system fund are also presented.

Financial Analysis of the Village as a Whole

Net assets of the current year and prior year are as follows:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current assets	\$ 687,369	\$ 323,436	\$ 684,766	\$ 581,660	\$ 1,372,135	\$ 905,096
Noncurrent assets	5,044,661	2,273,682	8,377,151	8,354,418	13,421,812	10,628,100
Total assets	\$ 5,732,030	\$ 2,597,118	\$ 9,061,917	\$ 8,936,078	\$ 14,793,947	\$ 11,533,196
Liabilities						
Current liabilities	470,771	179,662	517,262	311,683	988,033	491,345
Long-term liabilities	948,923	979,278	3,834,832	3,827,179	4,783,755	4,806,457
Total liabilities	\$ 1,419,694	\$ 1,158,940	\$ 4,352,094	\$ 4,138,862	\$ 5,771,788	\$ 5,297,802
Net assets						
Investment in capital						
assets net of related debt	4,161,609	1,337,816	4,198,050	4,071,762	8,359,659	5,409,578
Restricted	122,483	75,100	59,430	193,323	181,913	268,423
Unrestricted	28,244	25,262	452,343	532,131	480,587	557,393
Total net assets	\$ 4,312,336	\$ 1,438,178	\$ 4,709,823	\$ 4,797,216	\$ 9,022,159	\$ 6,235,394

The Village's combined net assets increased 45 percent from a year ago. Governmental activities net assets increased by \$2,874,158 (primarily from a capital contribution), while business-type activities net assets decreased by \$87,393.

Unrestricted net assets, the portion that can be used to finance day-to-day operations, remained consistent for governmental activities. Unrestricted net assets for business-type activities decreased by \$79,788 or 15 percent.

VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2005

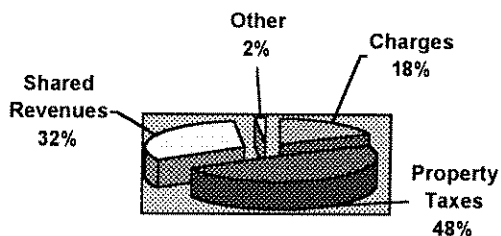
Changes in net assets during the current year and prior year are as follows:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenue						
Charges for services	\$ 238,693	\$ 245,357	\$ 1,967,053	\$ 1,910,147	\$ 2,205,746	\$ 2,155,504
General revenue						
Property taxes	646,864	631,879	-	-	646,864	631,879
State-shared revenues	422,913	427,101	-	-	422,913	427,101
Grants	220,000	-	-	-	220,000	-
Interest	8,950	12,816	15,603	6,357	24,553	19,173
Other	12,220	32,010	-	-	12,220	32,010
Total revenues	\$ 1,549,640	\$ 1,349,163	\$ 1,982,656	\$ 1,916,504	\$ 3,532,296	\$ 3,265,667
Program Expenses						
General government	\$ 158,343	\$ 164,869	\$ -	\$ -	\$ 158,343	\$ 164,869
Public safety	409,951	397,852	-	-	409,951	397,852
Public works	624,174	627,060	-	-	624,174	627,060
Sanitation	183,731	191,408	-	-	183,731	191,408
Recreation	40,644	49,500	-	-	40,644	49,500
Interest on long-term debt	48,629	49,936	-	-	48,629	49,936
Proprietary activities	-	-	2,161,298	2,096,342	2,161,298	2,096,342
Total program expenses	\$ 1,465,472	\$ 1,480,625	\$ 2,161,298	\$ 2,096,342	\$ 3,626,770	\$ 3,576,967
Change in Net Assets before Transfers	\$ 84,168	\$ (131,462)	\$ (178,642)	\$ (179,838)	\$ (94,474)	\$ (311,300)
Contribution	2,939,071	-	-	-	2,939,071	-
Transfers (to) from DDA	(57,832)	229,923	-	-	(57,832)	229,923
Transfers	(91,249)	150,000	91,249	(150,000)	-	-
Change in Net Assets	\$ 2,874,158	\$ 248,461	\$ (87,393)	\$ (329,838)	\$ 2,786,765	\$ (81,377)

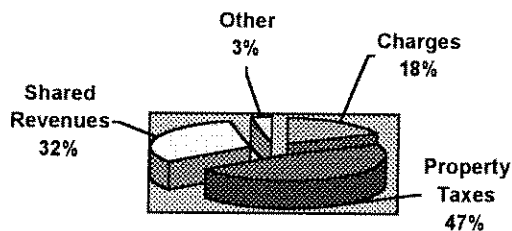
Graphic presentations of selected data follow to assist in the analysis of the Village's activities for fiscal years 2005 and 2004:

Governmental Activities

2005 Governmental Revenues



2004 Governmental Revenues



The above charts do not include grants, contributions, or transfers.

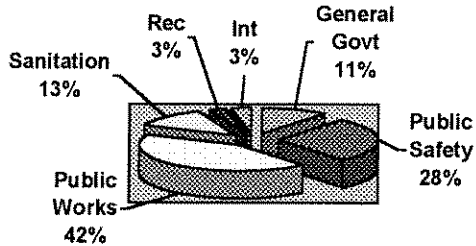
VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

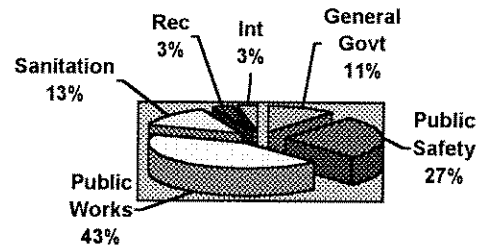
JUNE 30, 2005

Governmental Activities (continued)

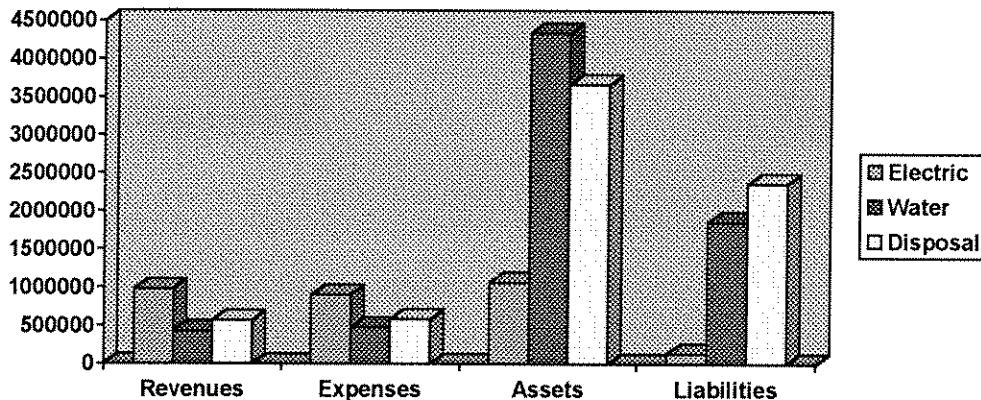
2005 Governmental Expenditures



2004 Governmental Expenditures



Business-Type Activities



Financial Analysis of the Village's Funds

Governmental Funds – The Village's total governmental revenues increased by \$165,684 or 11 percent from prior year levels. The increase relates primarily to grant revenues of \$220,000. Governmental expenditures decreased by \$43,002 from prior year levels, with the exception of capital outlays. Capital outlays in 2005 were \$3,243,222 as compared to \$498,345 in 2004. The increase relates to the construction of the Linden Creek project, the purchase of a fire truck, and costs associated with a sidewalk and light project on Main and Broad Streets.

Proprietary Funds – The Village's business-type activities consist of electric utility, water utility and a disposal system. Operating revenues remained consistent with prior year with an increase of 3 percent. Operating expenses increased by 3 percent. Operating income continued at an approximate breakeven level.

VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2005

General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget to account for events during the year. Budgetary amendments were relatively minor, with the exception of the following items. Total budgeted other revenues were increased by \$3,180,200 consisting of a federal grant from Homeland Security (\$170,000), a contribution from the Corps of Engineers (\$2,950,000), a local contribution from the Keweenaw Bay Indian Community (\$50,000), and other revenue changes (\$10,200). Total budgeted capital outlay was increased by \$3,243,900 to accommodate a culvert project (\$2,950,000), engineering costs associated with a future street project for sidewalks and lights on Main and Broad Streets (\$125,000), and the purchases of a fire truck (\$170,000) and other equipment (\$8,900). Other financing sources were adjusted to account for the sale of the grocery store property adjacent to the Village hall (\$390,000) and transactions with the component unit, the Electric Utility Fund, and the Disposal System Fund related to the grocery store sale. Other financing sources were also adjusted to account for cash requirements as needed for the Village.

Capital Asset and Debt Administration

The Village's investment in capital assets, net of accumulated depreciation and related debt, for governmental and business-type activities as of June 30, 2005 was \$4,161,609 and \$4,198,050, respectively. Major capital asset additions during the current fiscal year included:

Linden Creek Flood Control project	\$ 2,939,071
Sidewalk and lights project	124,575
Fire truck	170,256

At the end of the fiscal year, the Village had long-term debt obligations of \$4,934,681. This balance has not changed significantly from the prior year. Additions to debt obligations included an installment note for \$100,000.

Economic Factors and Next Year's Budgets and Rates

Local economic conditions are anticipated to remain the same. Health care costs make up a significant portion of the Village's expenditures. In 2005, these costs increased 21% over the prior year. Funding health care cost increases remains a challenge for the Village in 2006. The Village's 2006 budget includes grants and contributions related to a sidewalk and light project on Main and Broad streets. Utility rate increases have been approved effective July 1, 2005. These rate increases were necessary to cover increasing costs.

Contacting the Village's Financial Management

The financial report is designed to provide a general overview of the Village's finances and demonstrate the Village's commitment to public accountability. If you have any questions about this report or need additional information, we welcome you to contact the clerk's office at (906)-524-6116.

VILLAGE OF L'ANSE
STATEMENT OF NET ASSETS
JUNE 30, 2005

Assets	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Cash and cash equivalents	\$ 328,332	\$ 308,264	\$ 636,596	\$ 4,304
Accounts receivable				
Utility billings	18,316	188,253	206,569	-
Grocery store sales proceeds	388,249	-	388,249	-
Grant	67,000	-	67,000	-
Other	53,994	-	53,994	11,664
Taxes receivable	17,512	-	17,512	6,222
Due from primary government	-	-	-	269,401
Internal balances	(188,249)	188,249	-	-
Inventory	2,215	-	2,215	-
Investments	-	80,156	80,156	104,062
Restricted assets	-	155,442	155,442	-
Capital assets	5,044,661	8,141,553	13,186,214	-
Total assets	5,732,030	9,061,917	14,793,947	395,653
Liabilities and Net Assets				
Liabilities				
Accounts payable	115,259	294,947	410,206	82,756
Accrued sick and vacation wages	31,991	93,054	125,045	-
Customer deposits	-	20,590	20,590	-
Due to component unit - DDA	269,401	-	269,401	-
Accrued interest	11,865	-	11,865	-
Noncurrent liabilities				
Due within one year	42,255	108,671	150,926	-
Due in more than one year	948,923	3,834,832	4,783,755	-
Total liabilities	1,419,694	4,352,094	5,771,788	82,756
Net Assets				
Investment in capital assets - net of related debt	4,161,609	4,198,050	8,359,659	-
Restricted				
Debt requirements	-	59,430	59,430	-
Streets and roads	122,483	-	122,483	-
Unrestricted	28,244	452,343	480,587	312,897
Total net assets	\$ 4,312,336	\$ 4,709,823	\$ 9,022,159	\$ 312,897

See accompanying notes to financial statements.

VILLAGE OF L'ANSE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

		Program Revenues
	Expenses	Charges for Services
Functions/Programs		
Primary Government		
Governmental activities		
General government	\$ 158,343	\$ 12,937
Public safety	409,951	4,382
Public works	624,174	-
Sanitation	183,731	217,200
Recreation	40,644	4,174
Interest on long-term debt	48,629	-
Total governmental activities	1,465,472	238,693
Business-type activities	2,161,298	1,967,053
Total primary government	<u>\$ 3,626,770</u>	<u>\$ 2,205,746</u>
Component Unit - Downtown Development Authority		
	<u>\$ 15,473</u>	<u>\$ -</u>
General revenues and transfers		
Property taxes		
Village operating		
Downtown Development Authority		
Total property taxes		
State-shared revenues		
Grants and contributions		
Interest		
Other		
Transfers - proprietary funds		
Transfers - component unit		
Total general revenues and transfers		
Change in Net Assets		
Net Assets - Beginning of year		
Net Assets - End of year		

See accompanying notes to the financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
\$ (145,406)	\$ -	\$ (145,406)	\$ -
(405,569)	-	(405,569)	-
(624,174)	-	(624,174)	-
33,469	-	33,469	-
(36,470)	-	(36,470)	-
(48,629)	-	(48,629)	-
(1,226,779)	-	(1,226,779)	-
-	(194,245)	(194,245)	-
(1,226,779)	(194,245)	(1,421,024)	-
-	-	-	(15,473)
646,864	-	646,864	-
-	-	-	94,266
646,864	-	646,864	94,266
422,913	-	422,913	-
3,159,071	-	3,159,071	-
8,950	15,603	24,553	3,172
12,220	-	12,220	-
(91,249)	91,249	-	-
(57,832)	-	(57,832)	57,832
4,100,937	106,852	4,207,789	155,270
2,874,158	(87,393)	2,786,765	139,797
1,438,178	4,797,216	6,235,394	173,100
\$ 4,312,336	\$ 4,709,823	\$ 9,022,159	\$ 312,897

VILLAGE OF L'ANSE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2005

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 211,248	\$ 117,084	\$ 328,332
Accounts receivable			
Utility billings	18,316	-	18,316
Grocery store sales proceeds	388,249	-	388,249
Grant	67,000	-	67,000
Other	41,515	12,479	53,994
Taxes receivable	16,337	1,175	17,512
Inventory	2,215	-	2,215
Due from other funds	-	2,068	2,068
Total assets	\$ 744,880	\$ 132,806	\$ 877,686
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 106,434	\$ 8,825	\$ 115,259
Accrued sick and vacation wages	30,493	1,498	31,991
Due to component unit - Downtown Development Authority	269,401	-	269,401
Due to other funds	190,317	-	190,317
Accrued interest	2,921	-	2,921
Total liabilities	599,566	10,323	609,889
Fund balances			
Reserved for inventory	2,215	-	2,215
Unreserved - reported in			
General fund	143,099	-	143,099
Special revenue funds	-	122,483	122,483
Total fund balances	145,314	122,483	267,797
Total liabilities and fund balances	\$ 744,880	\$ 132,806	\$ 877,686

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Fund Balances - Total Governmental Funds	\$ 267,797
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$5,880,435, net of accumulated depreciation of (\$835,774) used in governmental activities are not financial resources and are not reported in the governmental funds	5,044,661
Accrued interest payable is recorded as a liability in governmental activities	(8,944)
Compensated absences are included as a liability in governmental activities	(108,126)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds	<u>(883,052)</u>
Net Assets - Governmental Activities	<u>\$ 4,312,336</u>

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 497,827	\$ 149,037	\$ 646,864
State shared revenues	229,797	193,116	422,913
Garbage collections fees	217,200	-	217,200
Federal grant - Homeland Security	170,000	-	170,000
Local grant - Keweenaw	50,000	-	50,000
Rent	92,459	-	92,459
Other	29,568	-	29,568
Interest	8,196	754	8,950
Total revenues	1,295,047	342,907	1,637,954
Expenditures			
Current			
General government	144,193	-	144,193
Public safety	386,059	-	386,059
Public works	298,147	361,319	659,466
Sanitation	186,036	-	186,036
Recreation	33,482	-	33,482
Capital outlay	3,243,222	-	3,243,222
Debt service	40,751	61,062	101,813
Total expenditures	4,331,890	422,381	4,754,271
Excess of Revenues (Under)			
Expenditures	(3,036,843)	(79,474)	(3,116,317)
Other Financing Sources (Uses)			
Contribution - Corps of Engineers	2,939,071	-	2,939,071
Sale of fixed assets	388,249	-	388,249
Operating transfers in - Component Unit	142,168	-	142,168
Operating transfers out - Component Unit	(200,000)	-	(200,000)
Operating transfers in - Proprietary Fund	97,000	-	97,000
Operating transfers out - Proprietary Fund	(188,249)	-	(188,249)
Operating transfers in	-	181,387	181,387
Operating transfers out	(61,387)	(120,000)	(181,387)
Total other financing sources (uses)	3,116,852	61,387	3,178,239
Net Change in Fund Balance	80,009	(18,087)	61,922
Fund Balance - Beginning of year	65,305	140,570	205,875
Fund Balance - End of year	\$ 145,314	\$ 122,483	\$ 267,797

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE**GOVERNMENTAL FUNDS****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES****YEAR ENDED JUNE 30, 2005**

Net Change in Fund Balances - Total Governmental Funds	\$ 61,922
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; these costs are allocated over their estimated useful lives as depreciation	3,243,222
Capital assets used in governmental activities are not considered financial resources; such as:	
depreciation recorded on those assets	(90,230)
proceeds on sales of those assets	(388,249)
other	6,236
Interest expense is recorded in the funds when due; it is recorded in the statement of activities when incurred	370
Increase in accumulated sick pay is recorded when earned in the statement of activities	(11,927)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	52,814
Change in Net Assets - Governmental Activities	<u>\$ 2,874,158</u>

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2005

Assets	Major Funds			Total
	Electric Utility	Water Utility	Disposal System	
Current assets				
Cash and cash equivalents	\$ 204,565	\$ 16,884	\$ 86,815	\$ 308,264
Accounts receivable - net	104,457	33,773	50,023	188,253
Due from General Fund	113,249	-	75,000	188,249
Total current assets	422,271	50,657	211,838	684,766
Long-term assets				
Investments	80,156	-	-	80,156
Restricted assets	-	103,318	52,124	155,442
Utility plant and system (capital assets)	560,470	4,185,819	3,395,264	8,141,553
Total assets	1,062,897	4,339,794	3,659,226	9,061,917
Liabilities and Net Assets				
Liabilities				
Current liabilities				
Accounts payable	66,763	21,527	206,657	294,947
Accrued expenses	45,314	39,112	8,628	93,054
Customers' deposits	20,365	225	-	20,590
Current liabilities - installment contract	-	-	12,659	12,659
Current liabilities payable from restricted assets	-	30,000	66,012	96,012
Total current liabilities	132,442	90,864	293,956	517,262
Long-term debt - net of current portion	-	1,765,000	2,069,832	3,834,832
Total liabilities	132,442	1,855,864	2,363,788	4,352,094
Net Assets				
Invested in utility plant and system -				
Net of related debt	560,470	2,390,819	1,246,761	4,198,050
Restricted	-	73,318	(13,888)	59,430
Unrestricted and undesignated	369,985	19,793	62,565	452,343
Total net assets	\$ 930,455	\$ 2,483,930	\$ 1,295,438	\$ 4,709,823

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE**PROPRIETARY FUNDS****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS****YEAR ENDED JUNE 30, 2005**

	Major Funds			
	Electric Utility	Water Utility	Disposal System	Total
Operating Revenues				
Sales	\$ 969,651	\$ 427,430	\$ 559,840	\$ 1,956,921
Services	225	960	4,210	5,395
Other	3,928	809	-	4,737
Total operating revenues	973,804	429,199	564,050	1,967,053
Operating Expenses				
Distribution	821,610	345,989	412,077	1,579,676
Administrative and general	61,878	36,893	11,331	110,102
Depreciation	19,942	94,418	162,630	276,990
Total operating expenses	903,430	477,300	586,038	1,966,768
Operating Income (Loss)	70,374	(48,101)	(21,988)	285
Nonoperating Revenues (Expenses)				
Interest income	12,164	1,728	1,711	15,603
Interest expense	-	(90,500)	(104,030)	(194,530)
Total nonoperating revenues (expenses)	12,164	(88,772)	(102,319)	(178,927)
Income (Loss) Before Transfers	82,538	(136,873)	(124,307)	(178,642)
Transfers from other funds	113,249	-	75,000	188,249
Transfers to other funds	(97,000)	-	-	(97,000)
Changes in Net Assets	98,787	(136,873)	(49,307)	(87,393)
Net Assets - Beginning of year	831,668	2,620,803	1,344,745	4,797,216
Net Assets - End of year	<u>\$ 930,455</u>	<u>\$ 2,483,930</u>	<u>\$ 1,295,438</u>	<u>\$ 4,709,823</u>

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

	Major Funds			
	Electric Utility	Water Utility	Disposal System	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 971,169	\$ 435,330	\$ 574,435	\$ 1,980,934
Payments to suppliers	(768,163)	(105,922)	(184,078)	(1,058,163)
Payments to employees for wages and benefits	(100,962)	(261,569)	(271,991)	(634,522)
Other receipts	3,928	809	-	4,737
Net cash provided by operating activities	105,972	68,648	118,366	292,986
Cash Flows from Noncapital Financing Activities				
Transfers	(97,000)	-	-	(97,000)
Net cash (used in) noncapital financing activities	(97,000)	-	-	(97,000)
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(143,052)	(17,361)	(76,258)	(236,671)
Proceeds from debt	-	-	118,383	118,383
Principal paid on debt	-	(30,000)	(63,059)	(93,059)
Interest paid on debt	-	(90,500)	(104,030)	(194,530)
Net cash (used in) capital and related financing activities	(143,052)	(137,861)	(124,964)	(405,877)
Cash Flows from Investing Activities				
Interest	12,164	1,728	1,711	15,603
Reduction in investments	-	20,000	64,377	84,377
Net cash provided by investing activities	12,164	21,728	66,088	99,980
Net Change in Cash and Cash Equivalents	(121,916)	(47,485)	59,490	(109,911)
Cash and Cash Equivalents - Beginning of year	326,481	67,687	36,641	430,809
Cash and Cash Equivalents - End of year	\$ 204,565	\$ 20,202	\$ 96,131	\$ 320,898
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 204,565	\$ 16,884	\$ 86,815	\$ 308,264
Restricted assets	-	3,318	9,316	12,634
Total	\$ 204,565	\$ 20,202	\$ 96,131	\$ 320,898
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating Income (loss)	\$ 70,374	\$ (48,101)	\$ (21,988)	\$ 285
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	19,942	94,418	162,630	276,990
Changes in assets and liabilities				
Decrease in accounts receivable	2,411	6,940	10,385	19,736
Increase (decrease) in accounts payable	10,552	10,736	(2,845)	18,443
Increase (decrease) in accrued expenses	908	4,655	(29,816)	(24,253)
Increase in customer deposits	1,785	-	-	1,785
Net cash provided by operating activities	\$ 105,972	\$ 68,648	\$ 118,366	\$ 292,986

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE**STATEMENT OF NET ASSETS - COMPONENT UNIT****JUNE 30, 2005**

	<u>Downtown Development Authority</u>
Assets	
Cash and cash equivalents	\$ 4,304
Accounts receivable	11,664
Taxes receivable	6,222
Due from primary government	269,401
Investments	<u>104,062</u>
Total assets	395,653
Liabilities and Net Assets	
Liabilities - vouchers payable	<u>82,756</u>
Net Assets - Unrestricted	<u><u>\$ 312,897</u></u>

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE
STATEMENT OF ACTIVITIES-COMPONENT UNIT
YEAR ENDED JUNE 30, 2005

	<u>Downtown Development Authority</u>
Expenses	\$ 15,473
Program revenues	<u>-</u>
	Net (expense) (15,473)
General revenues and transfers	
Property taxes	94,266
Interest	3,172
Transfers - General Fund	200,000
Transfers - General Fund	<u>(142,168)</u>
	Total general revenues and transfers <u>155,270</u>
Change in Net Assets	139,797
Net Assets - Beginning of year	<u>173,100</u>
Net Assets - End of year	<u>\$ 312,897</u>

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting policies of the Village of L'Anse, Michigan (the "Village") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Government Accounting Standards Board. The Village's reporting entity does not apply Financial Accounting Standards Board (FASB) pronouncements or Accounting Principles Board (APB) opinions issued after November 30, 1989.

The following is a summary of the significant accounting policies used by the Village of L'Anse, Michigan.

REPORTING ENTITY

The Village was incorporated under the provision of Act 3 in 1895 (General Law Village) and operates under a Council-Manager form of government. The accompanying financial statements present the Village and its component unit, for which the Village is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village. The Village's major operations include cemetery, police and fire protection, public works, sanitation, recreation and general administration services. In addition, the Village owns and operates three major enterprise activities: the electric utility system, water utility system and disposal system.

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units over which the Village exercises significant influence. Significant influence is based primarily on operational or financial relationships. The Downtown Development Authority (the "Authority") was created to encourage and spur redevelopment of the L'Anse business district and to make L'Anse an attraction for visitors and tourists as well as a source of pride for the local community. The Authority's governing board is appointed by the Village's governing body. The Village collects tax funds on the Authority's behalf.

Excluded from the reporting entity is the L'Anse Housing Authority. The L'Anse Housing Authority's governing board selects management staff, sets charges, establishes budgets and controls all aspects of its own operations. The Village provides no funding to the Authority. Additionally, the Village holds no title to Housing Authority assets, nor does it have any right to Housing Authority surpluses.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component unit. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the function. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major Enterprise Funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded in the year payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet include property taxes and state-shared revenues. All other revenue items are considered to be available only when cash is received by the Village.

Amounts reported as program revenue include charges to customers for goods and services. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's ongoing operations. The principal operating revenue of proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this are charges between the Village's electric, water, and sewer functions and other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The Village reports the following major governmental fund:

General Fund – The general fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Village reports the following three major proprietary funds:

Electric, Water and Disposal System Funds – These three funds are the Village's major proprietary funds. They account for the activities of the electric, water and sewer distribution systems of the Village.

Additionally, the Village reports the following funds:

Special Revenue Funds – Special revenue funds are used to account for the proceeds of earmarked revenue requiring separate accounting because of legal or regulatory provisions. They include the Major Street, Local Street and Municipal Street Funds.

Debt Service Fund – The debt service fund is used to account for the annual payment of principal, interest and expenses in connection with certain long-term debt other than debt payable from operations of an enterprise fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Investments – Cash and cash equivalents are considered to be highly liquid investments if they have a maturity date of three months or less when acquired by the Village. These include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due from other funds" or "due to other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances. All trade receivables are shown as net of allowance for uncollectible amounts (\$15,000 in 2005).

Inventory – Inventory consists of salt and gravel for roads and is valued at cost, on a first-in, first-out basis. General Fund balance has been reserved in an amount equal to the cost of the inventory.

Restricted Assets – Certain resources related to enterprise fund revenue bonds set aside for repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "contract payment account" is used to segregate resources accumulated for debt service payments. Other accounts are set aside for other special uses. Restricted assets include cash and cash equivalents and certificates of deposit with maturities greater than three months.

Capital Assets – The Village's property, plant and equipment and infrastructure with useful lives of more than one year are stated at historical cost and are comprehensively reported in the government-wide financial statements. Proprietary assets are also reported in their respective funds. Donated assets are stated at fair value on the date donated. The Village generally capitalizes assets with a cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Buildings, equipment, vehicles and infrastructure assets are depreciated over the following useful lives:

Water and sewer distribution systems	10-65 years
Buildings and building improvements	65 years
Vehicles	5-10 years
Machinery and equipment	8-20 years
Infrastructure assets	75 years

Compensated Absences (Vacation and Sick Leave) – It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management – The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE B – BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are prepared on a detailed line item basis. Revenues are budgeted by source while expenditures are budgeted by department and class. All annual appropriations lapse at fiscal year end. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, one supplementary appropriation was necessary.

The Village followed the following procedures in establishing the budgetary data reflected in the financial statements:

1. On May 3, 2004, an operating budget was submitted to the Village Finance Committee for the fiscal year ending June 30, 2005. The operating budget includes proposed expenditures and the means of financing them.
2. On June 14, 2004, a public hearing was conducted to obtain taxpayer comments.
3. The budget was legally adopted on June 28, 2004.
4. The Village Council authorizes all budgetary revisions throughout the fiscal year. The budget was revised and approved for revision on June 27, 2005.
5. Formal budgetary integration is employed as a management control device during the year for all governmental and proprietary funds.

NOTE C – DEPOSITS AND INVESTMENTS

State statutes authorize the Village to deposit and invest in the following:

1. Certificates of deposit, savings accounts, or deposit accounts of federally insured financial institutions. The Village Board shall authorize depositories at the Board's organizational meeting after each regular election of board members.
2. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
3. Repurchase agreements consisting of instruments listed in 2.
4. Bankers' acceptances of United States banks.
5. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.
7. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Village. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
8. Investment pools through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
9. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
10. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.
11. American Transmission Company System; Amendment to Public Act 513 of 2002.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2005, the carrying value of the Village's deposits and investments were reported as follows:

	Governmental Activities	Business-type Activities	Total	Component Unit
Cash and cash equivalents	\$ 328,332	\$ 308,264	\$ 636,596	\$ 4,304
Investments	-	80,156	80,156	104,062
Restricted assets-bank deposits	-	155,442	155,442	-
Totals	\$ 328,332	\$ 543,862	\$ 872,194	\$ 108,366

The breakdown between deposits and investments for the Village is as follows:

	Primary Government	Component Unit
Bank deposits (checking and savings accounts and certificates of deposit)	\$ 791,738	\$ 108,366
Investments - UPPPA - ATC	80,156	-
Cash on hand	300	-
Totals	\$ 872,194	\$ 108,366

The bank and credit union balances totaled \$829,596 of which \$249,129 was covered by the F.D.I.C. or N.C.U.A. The remainder was uninsured and uncollateralized.

The Village's investments are categorized to indicate the level of risk assumed by the Village at June 30, 2005. Risk Category 1 includes those investments that are insured, registered, or held by the Village or its agent. Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department in the Village's name. Category 3 includes investments that are held by the counterparty or the counterparty's trust department but not in the Village's name.

The Village's investment in UPPPA – ATC is non-risk categorized.

NOTE D – PROPERTY TAXES

Property taxes were levied and leased by the Village on July 1, 2004 on the taxable valuation of property as of the preceding January 1. The Village billed and collected these taxes from July, 2004 to September, 2004. At that time, any unpaid billings were transferred to Baraga County, which is in charge of collecting delinquent taxes and remitting receipts to the Village. If a billing is still uncollected three years subsequent to the original billing, the property is subject to tax sale. It is the Village's policy to recognize revenue from the current tax levy.

The 2004 state equalized valuation of the Village totaled \$44,521,934 (taxable value \$37,862,185), on which taxes levied consisted of 13.2010 Mills for operating purposes, 1.8990 Mills for the DDA, and 1.1481 Mills for bond debt retirement.

The entire property tax administration fee is paid to the Village treasurer as compensation for collection of property taxes. There is, therefore, no reserved fund balance for excess receipts or excess disbursements associated with the property tax administration fee.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – CAPITAL ASSETS

Capital asset activity of the Village's governmental and business-type activities was as follows:

	Balance 7/1/2004	Additions	Deletions	Balance 6/30/2005
Governmental Activities				
Land*	\$ 281,456	\$ -	\$ -	\$ 281,456
Land and grocery store*	394,739	-	(394,739)	-
Infrastructure	-	2,939,071	-	2,939,071
Infrastructure in progress	-	124,575	-	124,575
Construction in progress	-	170,256	-	170,256
Buildings	1,336,177	-	-	1,336,177
Machinery and equipment	289,075	9,151	-	298,226
Vehicles	708,708	-	-	708,708
Furniture and equipment	21,797	169	-	21,966
Subtotal	3,031,952	3,243,222	(394,739)	5,880,435
Accumulated depreciation	745,544	90,230	-	835,774
Net capital assets	\$ 2,286,408	\$ 3,152,992	\$ (394,739)	\$ 5,044,661
Business-type Activities				
Land*	\$ 110,235	\$ -	\$ -	\$ 110,235
Buildings	11,550,764	271,609	-	11,822,373
Machinery and equipment	900,578	156,994	-	1,057,572
Vehicles	332,230	-	-	332,230
Furniture and equipment	77,702	-	-	77,702
Subtotal	12,971,509	428,603	-	13,400,112
Accumulated depreciation	4,981,569	276,990	-	5,258,559
Net assets	\$ 7,989,940	\$ 151,613	\$ -	\$ 8,141,553

*Non-depreciable.

Depreciation expense was charged to programs of the primary government as follows:

General government	\$ 22,562
Department of public works	39,630
Public safety	20,787
Recreation	7,251
Total	\$ 90,230

NOTE F – LONG-TERM DEBT

Bond issue - Village offices: General long-term debt bonds were issued to finance renovation and construction for an addition to the village fire hall and village offices. The bonds are payable annually at principal amounts ranging from \$10,000 to \$45,000, with the final payment due October 1, 2026. Interest is payable semi-annually at varying rates ranging from 5.00% to 6.05%. The bonds are secured by a pledge of the full faith and credit of the Village and future tax revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – LONG-TERM DEBT (CONTINUED)

Bond issue - Marina renovation: General long-term debt bonds were issued to finance a portion of the cost of a "Marina Redevelopment Project". The bonds were payable annually at principal amounts ranging from \$11,000 to \$17,000, with the final payment due November 1, 2004. Interest was payable semi-annually at 6.97%. The bonds were secured by a pledge of tax increment revenue of the component unit. The bonds were repaid during the current year.

Loan payable - USDA - This loan was incurred to provide financing of specific equipment. The loan is payable in annual principal amounts ranging from \$13,000 to \$26,000 with the final payment due October 1, 2016. Interest is payable semi-annually at 4.75%. The loan is secured by the full faith and credit of the Village.

Installment contract payable – Contracts are incurred to provide financing on specific equipment.

The disposal system revenue bonds (1) were issued to partially provide for the acquisition and construction of a disposal plant and connecting sewer system. This project was undertaken in conjunction with the Township of L'Anse and the bonds presented in this report represent 83.56% of the entire bond issue (Village portion). The bonds are payable from the revenues (pledged) generated by the disposal system fund, however, the Village is obligated to levy taxes if the necessity arises. In addition, the Village is subject to various bond provisions including maintenance of accounts, etc. The bonds bear an interest rate of 5% per annum and the final payment is due in the year 2019.

The disposal system revenue bonds (2) were issued to provide for improvements to the disposal plant. This project was undertaken in conjunction with the Township of L'Anse in the same manner as described above. Bonds of \$1,750,000 were issued (Village portion 83.56% or \$1,462,300). The bonds are payable from revenues generated by the Disposal System Fund, however, the full faith and credit of the Village is pledged. The bonds are payable in increasing increments and bear an interest rate of 4.5% per annum and the final payment is due in the year 2042.

A disposal system installment note was issued in 2005 to provide for improvements to the disposal plant. This bank note is payable in monthly installments of \$1,374, including interest at 4.15%, with the final payment due in the year 2012.

The Water Utility revenue bonds were issued to provide for the acquisition and construction of a water and waste disposal system. The bonds are payable from the revenues generated by the water supply system fund. In addition, the Village is subject to various bond provisions including maintenance of accounts, etc. The bonds bear an interest rate of 5% per annum and the final payment is due in the year 2033.

Changes in long-term debt during the fiscal year ended June 30, 2005 are summarized as follows:

	Balance 7/1/04	Additions	Retired	Balance 6/30/05	Due Within One Year
Governmental Activities					
General Obligation					
Bond issue-Village offices	\$ 580,000	\$ -	\$ (10,000)	\$ 570,000	\$ 15,000
Bond issue-Marina renovation	17,000	-	(17,000)	-	-
Loan payable-USDA	261,000	-	(15,000)	246,000	16,000
Installment contract payable	77,866	-	(10,814)	67,052	11,255
Total bonds and notes	935,866	-	(52,814)	883,052	42,255
Other liabilities-sick pay	96,199	11,927	-	108,126	-
Total Governmental Activities	\$ 1,032,065	\$ 11,927	\$ (52,814)	\$ 991,178	\$ 42,255
Business-Type Activities					
Revenue Bonds					
Disposal System (1)	\$ 676,836	\$ -	\$ (45,958)	\$ 630,878	\$ 50,136
Disposal System (2)	1,416,343	18,383	(15,041)	1,419,685	15,876
Water Utility	1,825,000	-	(30,000)	1,795,000	30,000
Installment Note	-	100,000	(2,060)	97,940	12,659
Total Business-Type Activities	\$ 3,918,179	\$ 118,383	\$ (93,059)	\$ 3,943,503	\$ 108,671

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – LONG-TERM DEBT (CONTINUED)

Debt requirements to maturity are as follows:

Year Ended June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 42,255	\$ 46,589	\$ 88,844	\$ 108,671	\$ 188,592	\$ 297,263
2007	42,742	44,208	86,950	110,044	183,748	293,792
2008	44,251	42,171	86,422	119,780	178,431	298,211
2009	45,782	40,049	85,831	121,197	172,632	293,829
2010	47,336	37,846	85,182	127,267	166,771	294,038
2011-2015	214,686	156,571	371,257	615,910	743,249	1,359,159
2016-2020	186,000	103,022	289,022	508,490	598,850	1,107,340
2021-2025	175,000	58,418	233,418	514,613	483,181	997,794
2026-2030	85,000	7,865	92,865	665,557	344,146	1,009,703
2031-2035	-	-	-	580,694	174,609	755,303
2036-2040	-	-	-	319,200	78,551	397,751
2041-2042	-	-	-	152,080	10,416	162,496
Totals	\$ 883,052	\$ 536,739	\$ 1,419,791	\$ 3,943,503	\$ 3,323,176	\$ 7,266,679

NOTE G – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables are classified as due to/from other funds or component unit and are composed of the following:

Due from	Due to			
	Nonmajor Fund	Business-type Funds	Component Unit	Total
General Fund	\$ 2,068	\$ 188,249	\$ 269,401	\$ 459,718

Individual fund operating transfers for fiscal year 2005 were as follows:

Transfers In	Transfers Out				
	General Fund	Nonmajor Funds	Business-type Funds	Component Unit	Total
General Fund	\$ -	\$ -	\$ 97,000	\$ 142,168	\$ 239,168
Nonmajor Funds	-	120,000	-	-	120,000
Business-type Funds	188,249	-	-	-	188,249
Component Unit	200,000	-	-	-	200,000
Debt Service Fund	61,387	-	-	-	61,387
Totals	\$ 449,636	\$ 120,000	\$ 97,000	\$ 142,168	\$ 808,804

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – SEGMENT INFORMATION

The Village maintains three enterprise funds, which are intended to be self-supporting through user fees charged for services to the public. Financial segment information as of and for the year ended June 30, 2005 is presented as follows:

Condensed Statement of Net Assets

	Electric Utility	Water Utility	Disposal System	Total
Current assets	\$ 422,271	\$ 50,657	\$ 211,838	\$ 684,766
Restricted assets	-	103,318	52,124	155,442
Other assets	80,156	-	-	80,156
Capital assets	560,470	4,185,819	3,395,264	8,141,553
Total assets	\$ 1,062,897	\$ 4,339,794	\$ 3,659,226	\$ 9,061,917
Current liabilities	132,442	60,864	227,944	421,250
Liabilities payable from restricted assets	-	30,000	66,012	96,012
Noncurrent liabilities	-	1,765,000	2,069,832	3,834,832
Total liabilities	\$ 132,442	\$ 1,855,864	\$ 2,363,788	\$ 4,352,094
Invested in capital assets net of related debt	560,470	2,390,819	1,246,761	4,198,050
Restricted	-	73,318	(13,888)	59,430
Unrestricted	369,985	19,793	62,565	452,343
Total net assets	\$ 930,455	\$ 2,483,930	\$ 1,295,438	\$ 4,709,823

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Electric Utility	Water Utility	Disposal System	Total
Total operating revenues	\$ 973,804	\$ 429,199	\$ 564,050	\$ 1,967,053
Depreciation expense	19,942	94,418	162,630	276,990
Other operating expenses	883,488	382,882	423,408	1,689,778
Operating income (loss)	70,374	(48,101)	(21,988)	285
Nonoperating revenues (expenses)	12,164	(88,772)	(102,319)	(178,927)
Transfers	16,249	-	75,000	91,249
Changes in net assets	\$ 98,787	\$ (136,873)	\$ (49,307)	\$ (87,393)
Net assets - Beginning	831,668	2,620,803	1,344,745	4,797,216
Net assets - Ending	\$ 930,455	\$ 2,483,930	\$ 1,295,438	\$ 4,709,823

Condensed Statement of Cash Flows

Net cash provided by (used)				
Operating activities	\$ 105,972	\$ 68,648	\$ 118,366	\$ 292,986
Noncapital financing activities	(97,000)	-	-	(97,000)
Capital and related financing activities	(143,052)	(137,861)	(124,964)	(405,877)
Investing activities	12,164	21,728	66,088	99,980
Net (decrease) increase	(121,916)	(47,485)	59,490	(109,911)
Cash and cash equivalents - Beginning	326,481	67,687	36,641	430,809
Cash and cash equivalents - Ending	\$ 204,565	\$ 20,202	\$ 96,131	\$ 320,898

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I – DEFINED BENEFIT PENSION PLAN

Plan Description – The Village's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Plan is affiliated with the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer pension plan administered by the Segal Company. Act No. 427 of the Public Acts of 1984, as amended, and the Constitution of the State of Michigan assign the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; for the Plan, that authority rests with the Village. The Segal Company issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Segal Company, One Park Avenue, New York, New York 10016-5895 or by calling (212) 251-5000.

Funding Policy – The Village is required to contribute at an actuarially determined rate; the current rate is 15.38% of annual covered payroll. The contribution requirements of the Village are established and may be amended by the MERS Board of Trustees.

Actuarial valuations are performed annually. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Memberships of the plan are as follows:

Active members	22
Retirees and beneficiaries currently receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	<u>4</u>
Total	<u>29</u>

Annual Pension Cost – For the year ended June 30, 2005, the Village's annual pension cost of \$119,088 for the Plan was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2004, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses) (b) projected salary increases of 4.5% per year, and an additional projected salary increase ranging from 0.0% to 8.40% per year. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2004, was 31 years.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Contributed</u>	<u>Percent of APC Obligation</u>	<u>Net Pension</u>
June 30, 2003	\$ 104,690	\$ 104,690	100	\$ -
June 30, 2004	109,200	109,200	100	-
June 30, 2005	119,088	119,088	100	-

NOTE J – ECONOMIC DEPENDENCY

The Village receives a significant amount of its revenues from two corporate entities located within the Village. Approximately 26% of property tax revenues are received from these entities.

VILLAGE OF L'ANSE
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenues				
Property taxes				
Real and personal property taxes	\$ 432,300	\$ 490,000	\$ 485,713	\$ (4,287)
Payment in lieu of taxes	-	-	6,811	6,811
Penalties and interest	18,000	8,000	5,303	(2,697)
Total property taxes	450,300	498,000	497,827	(173)
State - shared revenues	233,500	230,000	229,797	(203)
Other revenues				
Garbage collection fees	242,000	231,000	217,200	(13,800)
Federal grant - Homeland Security	-	170,000	170,000	-
Local contribution - Keweenaw	-	50,000	50,000	-
Rent	110,000	90,000	92,459	2,459
Interest	-	-	8,196	8,196
Other	3,000	-	29,568	29,568
Total revenues	1,038,800	1,269,000	1,295,047	26,047
Expenditures				
General government				
Village council	18,600	17,500	17,387	(113)
Attorney	5,000	8,000	7,746	(254)
Village clerk	1,200	800	800	-
Treasurer	9,400	7,200	7,175	(25)
Buildings and grounds	4,500	6,100	6,027	(73)
Cemetery	29,000	18,000	17,818	(182)
General government	48,600	87,800	87,240	(560)
Total general government	116,300	145,400	144,193	(1,207)
Public safety				
Police department	342,400	352,500	352,139	(361)
Fire department	38,000	32,000	31,995	(5)
Building inspection	3,700	2,000	1,925	(75)
Total public safety	384,100	386,500	386,059	(441)
Public works				
Department of public works	247,500	302,200	293,751	(8,449)
Sidewalks	6,200	4,400	4,396	(4)
Total public works	253,700	306,600	298,147	(8,453)

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (continued)				
Sanitation				
Sanitary landfill	116,000	110,000	109,632	(368)
Waste collection and disposal	89,000	76,500	76,404	(96)
Total sanitation	205,000	186,500	186,036	(464)
Recreation				
Parks and recreation	17,000	11,200	11,172	(28)
Ice arena	16,000	20,500	20,461	(39)
Marina	3,000	2,000	1,849	(151)
Total recreation	36,000	33,700	33,482	(218)
Capital outlay				
General government	-	200	169	(31)
Public works	-	3,065,400	3,064,366	(1,034)
Fire department	500	175,000	174,942	(58)
Parks and recreation	-	3,800	3,745	(55)
Total capital outlay	500	3,244,400	3,243,222	(1,178)
Debt service				
Fire department	10,000	9,000	8,935	(65)
Public works	37,000	32,000	31,816	(184)
Total debt service	47,000	41,000	40,751	(249)
Total expenditures	1,042,600	4,344,100	4,331,890	(12,210)
Excess of Revenues (Under)				
Expenditures	(3,800)	(3,075,100)	(3,036,843)	38,257
Other Financing Sources (Uses)				
Contribution - Corps of Engineers	-	2,950,000	2,939,071	(10,929)
Sale of fixed assets	-	390,000	388,249	(1,751)
Operating transfers in - Component Unit	18,000	143,000	142,168	(832)
Operating transfers out - Component Unit	-	(200,000)	(200,000)	-
Operating transfers in - Proprietary Funds	47,700	97,000	97,000	-
Operating transfers out - Proprietary Funds	-	(188,500)	(188,249)	251
Operating transfers out - Debt Service Fund	(61,000)	(61,500)	(61,387)	113
Total other financing sources (uses)	4,700	3,130,000	3,116,852	(13,148)
Net Change in Fund Balance	900	54,900	80,009	25,109
Fund Balance - Beginning of year	65,305	65,305	65,305	-
Fund Balance - End of year	\$ 66,205	\$ 120,205	\$ 145,314	\$ 25,109

VILLAGE OF L'ANSE**REQUIRED SUPPLEMENTAL INFORMATION****RETIREMENT SYSTEMS SCHEDULE OF FUNDING PROGRESS****MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
12/31/99	1,361,686	2,070,350	708,664	66	743,458	95
12/31/00	1,568,840	2,436,234	867,394	64	709,169	122
12/31/01	1,765,245	2,710,740	945,495	65	739,738	128
12/31/02	1,916,659	2,947,851	1,031,192	65	768,361	134
12/31/03	2,163,852	3,227,396	1,063,544	67	763,084	139
12/31/04	2,367,333	3,515,284	1,147,951	67	774,306	148

RETIREMENT SYSTEMS SCHEDULE OF EMPLOYER CONTRIBUTIONS**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percent Contributed
2000	\$ 101,936	\$ 101,936	100
2001	93,504	93,504	100
2002	97,729	97,729	100
2003	104,690	104,690	100
2004	109,200	109,200	100
2005	119,088	119,088	100

The information presented above was determined as part of the actuarial valuations at the date indicated.

Additional information as of June 30, 2005, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period (perpetual)	31 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases*	4.50%
*includes inflation at	4.50%
Additional salary increases attributable to seniority/merit	0% to 8.40%

VILLAGE OF L'ANSE
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Major Street	Local Street	Municipal Street	Debt Service	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 12,623	\$ 12,624	\$ 91,837	\$ -	\$ 117,084
Taxes receivable	-	-	1,175	-	1,175
Accounts receivable	8,338	4,141	-	-	12,479
Due from other funds	-	-	2,068	-	2,068
Total assets	20,961	16,765	95,080	-	132,806
Liabilities and Fund Balance					
Liabilities					
Accounts payable	4,869	3,956	-	-	8,825
Accrued expenses	663	835	-	-	1,498
Total liabilities	5,532	4,791	-	-	10,323
Fund balances - Undesignated	15,429	11,974	95,080	-	122,483
Total liabilities and fund balances	\$ 20,961	\$ 16,765	\$ 95,080	\$ -	\$ 132,806

VILLAGE OF L'ANSE**OTHER SUPPLEMENTAL INFORMATION****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2005**

	Major Street	Local Street	Municipal Street	Debt Service	Total Nonmajor Governmental Funds
Revenues					
Property taxes	\$ -	\$ -	\$ 149,037	\$ -	\$ 149,037
State shared revenues	125,815	67,301	-	-	193,116
Interest	27	134	593	-	754
Total revenues	125,842	67,435	149,630	-	342,907
Expenditures					
Routine maintenance	47,024	91,261	-	-	138,285
Traffic services	1,388	921	-	-	2,309
Winter maintenance	34,644	31,705	-	-	66,349
Administrative, engineering and record keeping	51,408	51,135	51,508	325	154,376
Debt service	-	-	-	61,062	61,062
Total expenditures	134,464	175,022	51,508	61,387	422,381
Excess of Revenues (Under)					
Over Expenditures	(8,622)	(107,587)	98,122	(61,387)	(79,474)
Other Financing Sources (Uses)					
Operating transfers in	12,000	108,000	-	61,387	181,387
Operating transfers out	-	-	(120,000)	-	(120,000)
Total other financing sources (uses)	12,000	108,000	(120,000)	61,387	61,387
Net Change in Fund Balance	3,378	413	(21,878)	-	(18,087)
Fund Balance - Beginning of year	12,051	11,561	116,958	-	140,570
Fund Balance - End of year	\$ 15,429	\$ 11,974	\$ 95,080	\$ -	\$ 122,483

VILLAGE OF L'ANSE
WATER UTILITY FUND
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004

	2005	2004
Assets		
Current assets		
Cash and cash equivalents	\$ 16,884	\$ 19,674
Accounts receivable - net	33,773	40,713
Total current assets	50,657	60,387
Long-term assets		
Restricted assets	103,318	168,013
Utility plant and system (capital assets)	4,185,819	4,262,876
Total assets	4,339,794	4,491,276
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	21,527	10,791
Accrued expenses	39,112	34,457
Customers' deposits	225	225
Current liabilities payable from restricted assets	30,000	30,000
Total current liabilities	90,864	75,473
Long-term debt - net of current portion	1,765,000	1,795,000
Total liabilities	1,855,864	1,870,473
Net Assets		
Invested in utility plant and system - Net of related debt	2,390,819	2,437,876
Restricted	73,318	138,013
Unrestricted and undesignated	19,793	44,914
Total net assets	\$ 2,483,930	\$ 2,620,803

VILLAGE OF L'ANSE
WATER UTILITY FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Operating Revenues		
Sales	\$ 427,430	\$ 413,690
Services	960	5,201
Other	809	-
	<hr/>	<hr/>
Total operating revenues	429,199	418,891
Operating Expenses		
Distribution	345,989	311,601
Administrative and general	36,893	38,547
Depreciation	94,418	96,761
	<hr/>	<hr/>
Total operating expenses	477,300	446,909
Operating (Loss)	(48,101)	(28,018)
Nonoperating Revenues (Expenses)		
Interest income	1,728	2,503
Interest expense	(90,500)	(92,000)
	<hr/>	<hr/>
Total nonoperating revenues (expenses)	(88,772)	(89,497)
Changes in Net Assets	(136,873)	(117,515)
Net Assets - Beginning of year	<hr/> 2,620,803	<hr/> 2,738,318
Net Assets - End of year	<hr/> \$ 2,483,930	<hr/> \$ 2,620,803

VILLAGE OF L'ANSE
WATER UTILITY FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
Cash Flows from Operating Activities		
Receipts from customers	\$ 435,330	\$ 412,500
Payments to suppliers	(105,922)	(101,739)
Payments to employees for wages and benefits	(261,569)	(241,821)
Other receipts	809	-
Net cash provided by operating activities	68,648	68,940
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(17,361)	(4,811)
Principal paid on debt	(30,000)	(30,000)
Interest paid on debt	(90,500)	(92,000)
Net cash (used in) capital and related financing activities	(137,861)	(126,811)
Cash Flows from Investing Activities		
Interest	1,728	2,503
Reduction in investments	20,000	-
Net cash provided by investing activities	21,728	2,503
Net Change in Cash and Cash Equivalents	(47,485)	(55,368)
Cash and Cash Equivalents - Beginning of year	67,687	123,055
Cash and Cash Equivalents - End of year	\$ 20,202	\$ 67,687
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 16,884	\$ 19,674
Restricted assets	3,318	48,013
Total	\$ 20,202	\$ 67,687
Reconciliation of Operating (Loss) to Net Cash from Operating Activities		
Operating (loss)	\$ (48,101)	\$ (28,018)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	94,418	96,761
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	6,940	(6,391)
Increase in accounts payable	10,736	3,841
Increase in accrued expenses	4,655	2,747
Net cash provided by operating activities	\$ 68,648	\$ 68,940

VILLAGE OF L'ANSE
DISPOSAL SYSTEM FUND
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004

		<u>2005</u>	<u>2004</u>
Assets			
Current assets			
Cash and cash equivalents	\$	86,815	\$ 27,516
Accounts receivable - net		50,023	60,408
Due from General Fund		75,000	-
Total current assets		211,838	87,924
Long-term assets			
Restricted assets		52,124	116,309
Utility plant and system (capital assets)		3,395,264	3,289,705
Total assets		3,659,226	3,493,938
Liabilities and Net Assets			
Liabilities			
Current liabilities			
Accounts payable		206,657	17,571
Accrued expenses		8,628	38,444
Current liabilities - installment contract		12,659	-
Current liabilities payable from restricted assets		66,012	60,999
Total current liabilities		293,956	117,014
Long-term debt - net of current portion		2,069,832	2,032,179
Total liabilities		2,363,788	2,149,193
Net Assets			
Invested in utility plant and system - net of related debt		1,246,761	1,196,527
Restricted		(13,888)	55,310
Unrestricted and undesignated		62,565	92,908
Total net assets	\$	1,295,438	\$ 1,344,745

VILLAGE OF L'ANSE
DISPOSAL SYSTEM FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Operating Revenues		
Sales	\$ 559,840	\$ 555,728
Services	4,210	1,914
	<hr/>	<hr/>
Total operating revenues	564,050	557,642
Operating Expenses		
Distribution	412,077	409,178
Administrative and general	11,331	27,252
Depreciation	162,630	138,207
	<hr/>	<hr/>
Total operating expenses	586,038	574,637
Operating (Loss)	(21,988)	(16,995)
Nonoperating Revenues (Expenses)		
Interest income	1,711	57
Interest expense	(104,030)	(96,546)
	<hr/>	<hr/>
Total nonoperating revenues (expenses)	(102,319)	(96,489)
(Loss) Before Transfers	(124,307)	(113,484)
Transfers from other funds	75,000	-
Transfers to other funds	-	(75,000)
	<hr/>	<hr/>
Changes in Net Assets	(49,307)	(188,484)
Net Assets - Beginning of year	1,344,745	1,533,229
	<hr/>	<hr/>
Net Assets - End of year	<u>\$ 1,295,438</u>	<u>\$ 1,344,745</u>

VILLAGE OF L'ANSE
DISPOSAL SYSTEM FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
Cash Flows from Operating Activities		
Receipts from customers	\$ 574,435	\$ 554,539
Payments to suppliers	(184,078)	(274,164)
Payments to employees for wages and benefits	(271,991)	(247,282)
Net cash provided by operating activities	118,366	33,093
Cash Flows from Noncapital Financing Activities		
Transfers	-	(75,000)
Net cash (used in) noncapital financing activities	-	(75,000)
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(76,258)	(23,347)
Proceeds from debt	118,383	116,984
Principal paid on debt	(63,059)	(60,164)
Interest paid on debt	(104,030)	(96,546)
Net cash (used in) capital and related financing activities	(124,964)	(63,073)
Cash Flows from Investing Activities		
Interest	1,711	57
Change in investments	64,377	(21,000)
Net cash provided by (used in) investing activities	66,088	(20,943)
Net Change in Cash and Cash Equivalents	59,490	(125,923)
Cash and Cash Equivalents - Beginning of year	36,641	162,564
Cash and Cash Equivalents - End of year	\$ 96,131	\$ 36,641
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 86,815	\$ 27,516
Restricted assets	9,316	9,125
Total	\$ 96,131	\$ 36,641
Reconciliation of Operating (Loss) to Net Cash from Operating Activities		
Operating (Loss)	\$ (21,988)	\$ (16,995)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	162,630	138,207
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	10,385	(3,103)
(Decrease) in accounts payable	(2,845)	(88,076)
(Decrease) increase in accrued expenses	(29,816)	3,060
Net cash provided by operating activities	\$ 118,366	\$ 33,093

**REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

August 19, 2005

The Honorable President and Village Council
Village of L'Anse
L'Anse, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of L'Anse, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Village of L'Anse's basic financial statements and have issued our report thereon dated August 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the Village of L'Anse, Michigan in a separate letter dated August 19, 2005.

This report is intended solely for the information of the management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

August 19, 2005

Village Council
Village of L'Anse
L'Anse, Michigan 49946

Council Members:

In planning and performing our audit of the financial statements of the Village of L'Anse for the year ended June 30, 2005, we considered the Village's internal control structure to determine our audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The paragraphs below summarize our comments and suggestions regarding those matters. This letter does not affect our report dated August 19, 2005, on the financial statements of the Village of L'Anse.

DOWNTOWN DEVELOPMENT AUTHORITY - ACCOUNTING AND BUDGETING

We recommend that the DDA establish a budget in accordance with Michigan requirements and approve it in their minutes. This budget should be integrated with the Village's as the DDA's revenues have been pledged to pay certain Village liabilities. Also, as in the prior year audit, it was noted that the Village's records were not updated in their entirety for the Downtown Development Authority.

CASH BALANCES

As mentioned in our previous letter, the Village has significant cash balances not covered by F.D.I.C. or N.C.U.A. insurance. We recommend that the Village consider using several banking institutions in order to minimize risk. Alternatively, the Village may wish to discuss with its present bank the possibility of having its deposits collateralized.

L'ANSE TOWNSHIP

L'Anse Township has not remitted the full amount of property taxes for the DDA for 2001, 2002, 2003, and 2004. We recommend that the Village contact appropriate township personnel to expedite the remittances.

We will review the status of these comments during our next engagement. We have already discussed these comments and suggestions with Village personnel and we will be pleased to discuss them in further detail at your convenience. We wish to acknowledge the cooperation and courtesies extended to us during the course of our examination.

Very truly yours,



Certified Public Accountants

DJK/jml